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SUBJECT: REMITTANCES TO ALBANIA HOLDING STEADY

REF: TIRANA 811

Summary

¶1. (SBU) Fears of Albania's economy hitting the skids due to a fall in remittances may be overblown according to Western Union owner Edmund Leka. Leka told Embassy personnel that WU has not seen a noticeable decline in remittances, particularly from Italy and Greece, which remain the two largest sources of remittances. He added that Albanians abroad have a reputation as hard workers, generally in construction and the hospitality industry, and would probably be among the last ones to lose their jobs in Western countries. Also, many Albanians are very entrepreneurial, owning their own small businesses abroad, and have pretty good survival instincts. End summary.

¶2. (U) Although international and Albanian financial institutions generally agree that Albania will weather the global financial storms, they are concerned that a fall in remittances, which make up between ten and 14 percent of GDP (these are estimates since up to half of the remittances coming in to Albania enter the country as undeclared cash), could have a domino effect on the Albanian economy (reftel). One scenario considers that if Albanians working in Western countries begin to lose their jobs, they could send less money home, resulting in smaller bank deposits, a reduction in construction spending and subsequent loss of jobs in Albania. Even the overly optimistic Prime Minister is beginning to express concern publicly about the effects of a fall in remittances.

¶3. (SBU) However, according to Edmund Leka, owner of the Albanian Union Bank and Western Union (WU) franchises in Albania, Macedonia, Kosovo, and Switzerland, remittances have not yet begun to slow, nor does he expect a substantial reduction in the foreseeable future. Leka told Embassy personnel that WU handles about 30 percent of Albania's remittance income, but he estimates that almost twice as much enters the country unreported as cash carried by travelers. WU's remittances to Albania come from (in decreasing order of volume) Italy, Greece, the UK, and the U.S. WU's average transaction size is 300 euro, but most transactions are between 50 and 100 euro.

¶4. (SBU) Leka believes that Albanian workers are in demand in construction, restaurants, and hotels since they are hard workers and good entrepreneurs. Many emigrants have taken low-paying, unskilled jobs, and then worked their way up to management or even ownership. Others have started their own businesses, particularly in construction and as restaurant owners. Leka thinks that since Albanians abroad work well for lower wages than locals, they will probably be among the last to be let go in the event of a downturn. Philip Bay, AmCham Albania President and regional CEO of real estate firm Colliers, agrees with Leka, saying that in his experience, Greek businesses have more readily fired Greeks than Albanians when business softened.

¶5. (SBU) Another element that may keep remittances from falling is the sense of allegiance Albanians feel for their family and clan. UNDP international migration expert Abdul-Ghaffar Mughal, who has studied remittance flows in many countries, told Econoff that he believes there will be little falloff in remittances to Albania, Kosovo, and Western Macedonia because family members living abroad feel a deep sense of obligation to their relatives, and would deny themselves whatever is necessary to continue sending money back home.

Comment

¶6. (SBU) With over one million Albanians living abroad, Albania, as many other countries, has an important lifeline in case of financial need - support from its huge diaspora. So far, attitudes among Albanians seem to be positive, with little noticeable effect from the global economic slowdown. However, the next six months will be crucial - if demand for Albanian textile products (60 percent of exports) drops and remittances fall at the same time, Albania's economic situation could change quickly. Much will depend on the economies of neighboring Italy and Greece, which remain Albania's largest export markets as well as main sources for remittances.

WITHERS